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4431/ITA/MAC/AP/OPB/TAIWAN, USDA FOR FAS/OSTA BEAN, DAWSON,  
AND RASMUSSEN; FAS/OCRA RADLER, BURDETT, AND  
ANDERSON-SPRECHER; FAS/OTN BERTSCH; AND FAS/OFSO SALLYARDS

E.O. 12958: DECL: 01/19/2020  
TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [EARG](#) [TW](#)  
SUBJECT: A ROADMAP FOR BUILDING THE U.S.-TAIWAN ECONOMIC  
RELATIONSHIP

REF: A. 09 TAIPEI 1224  
[1](#)B. TAIPEI 23

Classified By: Bill Stanton, AIT Director, for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: As the U.S. works to resolve the beef market access issue while reviving its bilateral economic agenda with Taiwan (reftels), AIT proposes using a revived Trade and Investment Framework Agreement (TIFA) as a vehicle to facilitate progress on a specific timeline of trade agreements. Devising a more detailed timeline would bolster U.S. interests with our tenth-largest trading partner, reinforce a key forum for resolving trade disputes and market access issues, and serve as a dynamic counterpoint to Taiwan's burgeoning economic ties with the PRC. END SUMMARY.

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Improving Prospects for a Major Trading Partner  
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[1](#)2. (C) Although the volume of bilateral trade slumped during the global recession, Taiwan was our tenth-largest trading partner for the first eleven months of 2009. Taiwan is now emerging from the worst economic slump in its history, and is projected to post over 4% GDP growth in 2010. Later this year, Taiwan hopes to conclude an Economic Cooperation Framework Agreement (ECFA) with the PRC. Combined with numerous other PRC-Taiwan measures, expanded cross-Strait economic ties will continue to contribute to Taiwan's economic growth and increase its attractiveness as a destination for U.S. business and investment.

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Expanding U.S. Engagement  
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[1](#)3. (C) With over USD 16 billion in cumulative investment, the U.S. is Taiwan's largest foreign investor. Although generally satisfied with Taiwan's investment climate, the U.S. business community has grown increasingly restive as agricultural market access concerns have dominated our bilateral trade agenda. As we have already noted, a revived Trade and Investment Framework Agreement (TIFA) process

should form the centerpiece of an expanded bilateral economic relationship (reftels).

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Targets for the End of 2010  
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¶4. (C) The last TIFA meeting took place in July 2007. While recognizing the potential impact of unforeseen circumstances, setting an ambitious timeline for action would help ensure that our efforts achieve concrete results. Assuming we are able to hold one TIFA meeting by the summer of 2010, followed by a series of follow-on technical meetings by DVC, we should target the following accomplishments this year:

-- Completion of the pending eCommerce agreement before or during the next TIFA meeting.

-- Interagency consultation to address issues related to Congressional approval of potential bilateral and tax agreements with Taiwan, followed by a decision to launch negotiations toward these agreements before or during the next TIFA meeting (see septel for more detailed analysis of these two proposed agreements), plus at least two follow-up DVCs apiece to negotiate these agreements.

-- Before or during the next TIFA meeting, a decision to explore negotiations on at least two of the following candidates (reftel) for other bilateral agreements: labor, environment, transparency, IPR, and technical barriers of trade (TBT). Based on U.S. business interests, TBT should be the top priority among these.

-- In conjunction with the next TIFA meeting, consider holding the inaugural session of the bilateral Consultative Committee on Agriculture (CCA) to address priority agricultural issues such as maximum residue levels (MRLs), pork, rice, and remaining beef market access issues not covered by the bilateral protocol (e.g., BSE-related suspensions for animal feeding products). The CCA would also serve to invigorate cooperation in areas such as biotech, food security, and agricultural research.

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Targets for the End of 2011  
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¶5. (C) By the end of 2011, we should use at least one additional meeting, follow-up DVCs, and other meetings to:

-- Complete negotiations for a bilateral investment agreement, and continue negotiations toward completion of a bilateral tax agreement.

-- Make significant progress toward the completion of the two new agreements identified as priorities before or during the 2011 TIFA.

-- In addition to resolving beef market access concerns through the bilateral protocol consultations process, make significant progress in further reducing the MRL backlog through a joint workplan that sets a timetable for completing work on new MRL priorities, including Taiwan's suspended efforts on pork ractopamine. On rice, we should seek re-tendering or compensation for shortfalls in 2007-08 quotas, while ensuring Taiwan fulfills its 2009 Simultaneous-Buy-Sell (SBS) purchase commitments and all upcoming 2010 quota tenders.

¶6. (C) COMMENT: Bilateral trade agreements should not be the only benchmark by which to evaluate the U.S.-Taiwan economic relationship. At the same time, however, recent years have seen a lack of concrete progress that has frustrated the U.S. business community and stood in growing contrast to blossoming cross-Strait ties. Individual trade disputes will continue to arise, and we must also continue to emphasize broad, sectoral issues such as government procurement and pharmaceuticals. In addition to addressing individual

disputes and sectoral concerns, however, TIFA should also be revived as a vehicle for advancing concrete progress toward building trade ties with a key partner. END COMMENT.

STANTON